

MSINGA MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 June 2011

In terms of section 126 (1) of the Municipal Finance Management Act ,
I am responsible for the annual financial statements, which are set out on
pages 5 to 39, and which I have signed on behalf of the municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed
in note 16 of these annual financial statements are within the upper limits of
the framework envisaged in Section 219 of the Constitution, read with the
Remuneration of Public Officer Bearers Act and the Minister of Provincial and
Local Government's determination in accordance with this Act.

MUNICIPAL MANAGER

31 August 2011
Date

Annual Financial Statements

for

Msinga Municipality

for the PERIOD ended 30 JUNE : 2011

Province:

KwaZulu Natal

AFS rounding:

R (i.e. only cents)

Contact Information:

Name of Municipal Manager:

Name of Chief Financial Officer:

JS Pansegrouw

Contact telephone number:

033-4930761

Contact e-mail address:

Kosie.pansegrouw@msinga.org

Name of contact at provincial treasury:

Leneo Mofaka

Contact telephone number:

033-8974423

Contact e-mail address:

Leneo.mofaka@treasury.gov.za

Name of relevant Auditor:

Auditor-General South Africa

Contact telephone number:

033-2647400

Contact e-mail address:

johnnys@agsa.co.za

Name of contact at National Treasury:

Unathi Ndobeni

Contact telephone number:

012-3155103

Contact e-mail address:

Unathi.ndobeni@treasury.gov.za

Msinga Municipality
Financial Statements
for the year ended 30 June 2011
General information

Members of the Council

FJ Sikhakane	Mayor
SG Masimula	Honourable Speaker
TL Kunene	Deputy Mayor
B Mthethwa	Member of the Executive Committee
RN Ngubane	Member of the Executive Committee
MPS Mshibe	Member of the Executive Committee
JM Ntuli	Member of the Executive Committee
B Dumakude	Member of the Executive Committee

Municipal Manager

FB Sithole

Chief Financial Officer

JS Pansegrouw

Grading of Local Authority

Grade 2

Auditors

Auditor-General South Africa

Bankers

ABSA Bank

Effective 1st July 2001

Msinga Municipality
Financial Statements
for the year ended 30 June 2011

General information (continued)

Registered Office: Tugela Ferry

Physical address: Main Road
Tugela Ferry

Postal address: Private Bag X530
Tugela Ferry
3010

Telephone number: 033-4930761

Fax number: 033-4930766

E-mail address: fanozi.sithole@msinga.org

Msinga Municipality
FINANCIAL STATEMENTS
For the year ended 30 June 2011

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**MSINGA LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION**

as at 30 June 2011

	<u>Note</u>	<u>2011</u> <u>R</u>	<u>2010</u> <u>R</u>
ASSETS			
Current assets		68 142 868	70 383 612
Cash and cash equivalents	1	63 588 202	66 615 891
Trade receivables from exchange transactions	2	109 544	115 842
Other receivables from non-exchange transactions	3	50 667	50 667
Pre-paid expenditure	4	33 267	382 331
VAT receivable	5	4 361 188	3 218 881
Non-current assets		68 778 024	55 177 499
Property, plant and equipment	6	68 778 024	55 177 499
Total assets		<u>136 920 892</u>	<u>125 561 111</u>
LIABILITIES			
Current liabilities		30 834 864	41 278 110
Trade and other payables	7	4 308 621	2 054 968
Unspent conditional grants and receipts	8	26 526 243	39 223 142
Total liabilities		<u>30 834 864</u>	<u>41 278 110</u>
Net assets		<u>106 086 028</u>	<u>84 283 001</u>
NET ASSETS			
		106 086 028	84 283 001
Accumulated surplus	9	106 086 028	84 283 001
Total net assets		<u>106 086 028</u>	<u>84 283 001</u>

MSINGA LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
as at 30 June 2011

REVENUE	<u>NOTE</u>	<u>2011</u>	<u>2010</u>
Property rates	11	441 045	441 045
Property rates - penalties imposed and collection charges			
Service charges	12	20 940	20 940
Rental of facilities and equipment		277 097	189 979
Interest earned - external investments	14	3 747 680	4 143 727
Government grants and subsidies	13	85 264 274	61 679 235
Other income		154 927	715 332
Total Revenue		89 905 963	67 190 258
EXPENDITURE			
Employee related costs	15	10 236 348	8 692 945
Remuneration of Councillors	16	6 467 130	6 085 759
Bad debts	2,4	454 056	450 838
Collection costs			
Depreciation	6	6 267 910	4 847 898
Repairs and maintenance		4 295 596	9 513 024
Contracted services	19	1 728 765	819 035
Grants and subsidies paid	17	4 856 172	4 538 583
General expenses	18	33 796 960	20 325 876
Total Expenditure		68 102 936	55 273 958
Surplus (Deficit) for the year		21 803 027	11 916 300
Surplus (Deficit) for the year		21 803 027	11 916 300

Refer to Appendix E .1 for explanation of variances

MSINGA LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NETT ASSETS
as at 30 June 2011

	Accumulated Surplus	Total
	R	R
Balance at 30 June 2010	84 283 001	84 283 001
Surplus for the year	21 803 027	21 803 027
Balance at 30 June 2011	<u>106 086 028</u>	<u>106 086 028</u>

**MSINGA LOCAL MUNICIPALITY
CASH FLOW STATEMENT
for the year ended 30 June 2011**

	<u>Note</u>	<u>2011</u> <u>R</u>	<u>2010</u> <u>R</u>
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from consumers		84 914 007	70 076 524
Cash paid to suppliers and employees		<u>(71 820 940)</u>	<u>(49 317 254)</u>
Cash generated from operations	20	13 093 067	20 759 270
Interest received	14	3 747 680	4 143 728
Net cash flows from operating activities		<u>16 840 747</u>	<u>24 902 998</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(19 868 435)	(17 592 986)
Purchase of intangible assets			
Proceeds from sale of fixed assets			
Net cash flows from investing activities		<u>(19 868 435)</u>	<u>(17 592 986)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans raised (repaid)			
Increase (decrease) in consumer deposits			
Increase (decrease) in short term loans			
Net cash flows from financing activities			
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		<u>(3 027 688)</u>	<u>7 310 012</u>
Net increase / (decrease) in net cash and cash equivalents		(3 027 688)	7 310 012
Net cash and cash equivalents at beginning of period		<u>66 615 890</u>	<u>59 305 878</u>
Net cash and cash equivalents at end of period		<u>63 588 202</u>	<u>66 615 890</u>

Msinga Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2011

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

The municipality has taken advantage of certain of the transitional provisions of Directive 4 which is available to low capacity municipalities for the year ended June 30, 2009. The application of these transitional provisions is detailed in each policy to which the Directive applies.

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18 Segment Reporting

GRAP 21 Impairment of Non-Cash Generating assets

GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers)

GRAP 24 Presentation of Budget Information in Financial Statements

Msinga Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2011

GRAP 26 Impairment of Cash Generating Assets

GRAP 103 Heritage Assets

GRAP 104 Financial Instruments

The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

IAS 19 Employee Benefits

IFRIC 17 Distribution of Non-cash Assets to Owners

IFRIC 18 Transfer of Assets from Customers

2 PROPERTY, PLANT AND EQUIPMENT

2.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

2.2 SUBSEQUENT MEASUREMENT -REVALUATION MODEL (LAND, BUILDINGS, and other Infrastructure assets)

Subsequent to initial recognition, land, buildings, and other infrastructure assets are carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Msinga Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2011

Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

2.3 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure		Other	
Roads and Paving	10-20	Buildings	30
Pedestrian Malls	30	Air Conditioners	7
Electricity	25	Vehicles and tractors	7
Water	20	Office equipment	5
Sewerage	20	Furniture and fittings	10
Community		Machinery and Equipm	7
Buildings	30	Tools	5
Recreational Facilities	10	Radio	5
		Computer equipment	3

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

2.4 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

3 INVESTMENT PROPERTY

3.1 INITIAL RECOGNITION

Msinga Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2011

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

3.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. Land is not depreciated.

4 INVENTORIES

4.1 INITIAL RECOGNITION

The Municipality has taken advantage of certain of the transitional provisions of Directive 4 which is available to low capacity municipalities for the year ended June 30, 2009. Inventories have therefore not measured in accordance with GRAP 12 or the accounting policy. A "provisional" amount has been determined by management, which will be used until the GRAP 12 measurement process is completed. It is anticipated that this process will be complete by June 30, 2010.

Inventories comprise current assets held for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

4.2 SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

Msinga Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2011

In general, the basis of allocating cost to inventory items is the first-in, first-out method

5 FINANCIAL INSTRUMENTS

5.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

5.2 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

5.3 INVESTMENTS

Investments, which include short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

5.4 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current. An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

5.5 TRADE PAYABLES AND BORROWINGS

Msinga Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2011

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

5.6 CASH AND CASH EQUIVALENTS

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

6 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

7 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

8 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

9 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

Msinga Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2011

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

10 LEASES

10.1 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

10.2 MUNICIPALITY AS LESSOR

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Msinga Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2011

11 REVENUE

11.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered, the value of which approximates the consideration received or receivable.

Service charges relating to electricity are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. The estimates of consumption between meter readings are based on normal consumption.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

11.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Msinga Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2011

Revenue from the recovery of unauthorised fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

11.3 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

12 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

13 RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. Specific actuarial information in respect of individual participating municipalities is unavailable due to centralised administration of these funds. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

14 CONSTRUCTION CONTRACTS AND RECEIVABLES

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

Msinga Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2011

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

14 IMPAIRMENT OF ASSETS

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

MSINGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	<u>2011</u>	<u>2010</u>
1 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of the following:		
Cash on hand		
Cash at bank	2 659 431	9 122 418
Call deposits	60 928 771	57 493 473
	<u>63 588 202</u>	<u>66 615 891</u>

The Municipality has the following bank accounts:

Current account (Primary bank account)
Absa Bank - Newcastle Branch
Account number -
4053635886

Cash book balance at beginning of year	9 122 418	5 596 657
Cash book balance at end of year	2 659 431	9 122 418
Bank statement balance at beginning of year	11 005 466	7 338 159
Bank statement balance at end of year	8 849 954	11 005 466

2 Trade receivables from exchange transactions

	Gross Balance	Provision for doubtful debts	Net balance
Balances at 30 June 2011			
Service debtors			
Rates	6 391 971	6 391 971	0
Electricity			
Other	247 816	138 272	109 544
Total	<u>6 639 787</u>	<u>6 530 243</u>	<u>109 544</u>
Balances at 30 June 2010			
Service debtors			
Rates	5 960 072	5 960 072	0
Electricity			
Other	231 957	116 115	115 842
Total	<u>6 192 029</u>	<u>6 076 187</u>	<u>115 842</u>

MSINGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

Rates: Ageing	<u>2011</u>	<u>2010</u>
Curent (0 - 30 days)	36 754	36 282
31 - 60 days	36 690	36 282
61 to 90 days	36 312	36 282
91 - 120 days	36 182	36 282
121 days and over	6 246 033	5 814 944
Total	<u>6 391 971</u>	<u>5 960 072</u>
Electricity and other : Ageing		
Curent (0 - 30 days)	(43 341)	(36 993)
31 - 60 days	2 571	2 490
61 to 90 days	2 225	2 306
91 - 120 days	2 151	2 280
121 days and over	284 210	261 874
Total	<u>247 816</u>	<u>231 957</u>

Summary of debtors by customer classification

	Domestic and other Consume rs	Industrial / Commercial	Government
Balances at 30 June 2011			
Curent (0 - 30 days)	(38913)		32 325
31 - 60 days	6 936		32 325
61 to 90 days	6 213		32 325
91 - 120 days	6 008		32 325
121 days and over	928 647		5 601 596
Total	<u>908 891</u>		<u>5 730 896</u>

	Domestic and other Consum	Industrial / Commercial	Government
Balances at 30 June 2010			
Curent (0 - 30 days)	(32 565)		32 325
31 - 60 days	6 522		32 325
61 to 90 days	6 326		32 325
91 - 120 days	6 260		32 325
121 days and over	862 491		5 213 995
Total	<u>849 034</u>		<u>5 343 295</u>

3 Other receivables from non - exchange transactions

Other	50 667	50 667
Total other receivables	<u>50 667</u>	<u>50 667</u>

4 Long Term Receivables

Pre-paid expenses	33 267	382 331
Sundry loans	972 193	972 193
Provision Bad Debts	(972 193)	(972 193)
	33 267	382 331
Less: Current portion transferred to current receivables	<u>(33 267)</u>	<u>(382 331)</u>

MSINGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

2011 2010

Sundry Loans

This interest free loan refers to grants paid by Central Government to the District Municipality on behalf of Msinga Municipality as well as amounts due by Uthekela Water (Pty) Ltd.

There is no fixed repayment period. Payments made by the District Municipality on behalf of Msinga are set off against the District Municipality loan.

5 VAT

VAT receivable

4 361 188 3 218 881

4 361 188 3 218 881

VAT is payable on the receipts basis

6 Property, Plant and Equipment

Reconciliation of carrying value

	Land and buildings	Infrastructure	Community	Other	Total
Carrying value at 1 July 2010	14 777 175	35 917 264	0	4 483 060	55 177 499
Cost	16 805 000	44 663 029	4 622	14 139 322	75 611 973
Revaluation					
Accumulated depreciation					
- Cost	(2 027 825)	(8 745 765)	(4 622)	(9 656 262)	(20 434 474)
- Revaluation					
Acquisitions	172 727	18 083 448		1 612 260	19 868 435
Capital under construction					
Increases (decreases) in revaluation					
Depreciation					
- based on cost	(582 927)	(4 506 257)		(1 178 726)	(6 267 910)
- based on revaluation					
Carrying value of disposals					
Cost/revaluation					
Accumulated depreciation					
Carrying value at 30 June 2011	14 366 975	49 494 455	0	4 916 594	68 778 024
Cost	16 977 727	62 746 477	4 622	15 751 582	95 480 408
Revaluation					
Accumulated depreciation					
- Cost	(2 610 753)	(13 252 022)	(4 622)	(10 834 988)	(26 702 384)
- Revaluation					

MSINGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

Reconciliation of carrying value	Land and buildings	Infra-structure	Community	Other	Total
Carrying value at 1 July 2009	13 099 140	24 877 370	0	4 455 901	42 432 411
Cost	14 529 030	30 605 793	4 622	12 879 542	58 018 987
Revaluation					
Accumulated depreciation					
- Cost	(1 429 890)	(5 728 423)	(4 622)	(8 423 641)	(15 586 576)
- Revaluation					
Acquisitions	2 275 970	13 360 914		1 259 780	16 896 664
Capital under construction		696 322			696 322
Increases (decreases) in revaluation					
Depreciation					
- based on cost	(597 935)	(3 017 342)		(1 232 621)	(4 847 898)
- based on revaluation					
Carrying value of disposals					
Cost/revaluation					
Accumulated depreciation					
Carrying value at 30 June 2010	14 777 175	35 917 264	0	4 483 060	55 177 499
Cost	16 805 000	44 663 029	4 622	14 139 322	75 611 973
Revaluation					
Accumulated depreciation					
- Cost	(2 027 825)	(8 745 765)	(4 622)	(9 656 262)	(20 434 474)
- Revaluation					

Refer to Appendix B for more detail on property, plant and equipment

The Municipality has taken advantage of the transitional provisions set out in GAMAP 17. The Municipality is in the process of itemising all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2009. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been calculated for each category of infrastructure and community assets using global historical costs recorded in the accounting records.

7 Trade and other payables

Trade creditors	2 916 114	999 279
Payments received in advance		
Retention	1 049 793	845 548
Staff leave	284 700	209 472
Deposits other	670	670
VAT	57 544	
	<u>4 308 621</u>	<u>2 054 969</u>

MSINGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	<u>2011</u>	<u>2010</u>
8 Unspent Conditional Grants and Receipts		
3.1 Conditional grants from other spheres of government	26 526 243	39 223 142
3.2 Other conditional receipts		
Public contributions		
Total conditional grants and receipts	<u>26 526 243</u>	<u>39 223 142</u>
Refer Appendix F		
These amounts are invested in a ring - fenced investment until utilised.		
9 ACCUMULATED SURPLUS		
The following internal reserves are ring fenced within the Accumulated Surplus :		
Capital Replacement Reserve		
Balance at 30 June 2010	689 003	689 003
Property, Plant and Equipment purchased ex Capital Replacement Reserve		
Capital Replacement Reserve written back		
Balance at 30 June 2011	<u>689 003</u>	<u>689 003</u>
Government Grant Reserve		
Balance at 30 June 2010	54 245 373	41 334 027
Capital grants to finance Property, Plant and Equipment	18 221 182	17 586 501
Offsetting of Depreciation	<u>(6 075 710)</u>	<u>(4 675 155)</u>
Balance at 30 June 2011	<u>66 390 845</u>	<u>54 245 373</u>
10 Call Investment Deposit		
Other deposits	<u>60 928 771</u>	<u>57 493 473</u>
11 Property Rates		
Actual		
Residential		
Commercial		
State		
Other	441 045	441 045
Total assessment rates	<u>441 045</u>	<u>441 045</u>

MSINGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	<u>2011</u>	<u>2010</u>
Valuations		
Residential		
Commercial		
State		
Municipal		
Other		
Total property valuations	<u>0</u>	
 12 Service Charges		
Refuse removal	20 940	20940
	<u>20 940</u>	<u>20 940</u>
 13 Government Grants and Subsidies		
Equitable share	46 328 262	36 024 122
Skills subsidy	23 540	43 678
Conditional grants used to finance Property, Plant and equipment	18 221 182	17 586 501
Conditional grants utilised to finance operating expenses	20 691 290	8 024 934
Equitable share used to finance capital expenditure	<u>85 264 274</u>	<u>61 679 235</u>
Refer Appendix F		
 14 Interest		
Investment income	3 435 298	3 784 251
Interest on current account	312 382	359 476
	<u>3 747 680</u>	<u>4 143 727</u>
 15 Employee Related Costs		
Employee related costs - salaries and wages	7 894 770	6 897 087
Employee related costs- contributions to UIF, pension and medical costs	869 842	603 653
Travel, vehicle, accommodation, subsistence and other allowances	658 349	534 633
Housing benefits and allowances	463	
Overtime payments	155 175	122 927
Performance bonus		
Annual Bonus	<u>659 749</u>	534 645
Sub-total	10 238 348	8 692 945
Less: Employee costs allocated to Property. Plant and Equipment		
Less: Employee costs included in other expenses		
Total employee related costs	<u>10 238 348</u>	<u>8 692 945</u>
There were no advances to employees.		

MSINGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

		<u>2011</u>	<u>2010</u>
Remuneration of the Municipal Manager			
Annual remuneration		550 493	494 871
Car allowance		120 000	120 000
Contributions to Medical, Pension and UIF Funds		41 040	41 040
		<u>711 533</u>	<u>655 911</u>
Remuneration of the Chief Financial Officer			
Annual remuneration		<u>644 868</u>	<u>619 933</u>
Remuneration of other managers	2011		
		Corporate Services	Engineering Services
Annual remuneration		353 627	331 806
Performance bonus			
Car allowance		84 000	72 000
		<u>437 627</u>	<u>403 806</u>
	2010	Corporate Services	Engineering Services
Annual remuneration		353 627	300 240
Performance bonus			
Car allowance		84 000	72 000
		<u>437 627</u>	<u>372 240</u>
16 Remuneration of Councillors		<u>2011</u>	<u>2010</u>
Mayor		311 304	296 492
Deputy Mayor		247 524	239 327
Speaker		247 524	239 327
Executive committee members		1 138 620	1 125 174
Councillors		<u>4 522 158</u>	<u>4 185 439</u>
		<u>6 467 130</u>	<u>6 085 759</u>
In - kind benefits			
The Mayor and the Speaker are provided with an office and secretarial support at the cost of Council.			
The Mayor has use of a Council owned vehicle for official duties			
17 Grants and Subsidies Paid			
ESCOM power lines		(19 694)	0
Department of education		228 723	
Free basic services		<u>4 647 144</u>	<u>4 538 583</u>
		<u>4 856 173</u>	<u>4 538 583</u>

MSINGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	<u>2011</u>	<u>2010</u>
18 General Expenses		
Advertising	417 223	246 687
Audit fees	635 075	514 396
Audit: internal	374 000	419 200
Admin fees	55 607	6 930
Bank charges	222 739	275 347
Awareness programme	1 126 659	1 312 811
Conference and seminars	118 775	23 534
Aids awareness	85 874	96 299
Disaster management	68 143	195 707
Electricity	330 597	209 969
Entertainment	108 905	111 435
Insurance	368 517	364 749
Indigent Support	101 429	497 384
Legal fees	52 610	0
Licences	86 806	53 009
Emergency fund	1 319 689	620 886
Materials	24 114	49 982
Meetings/training	138 372	270 917
Pauper burials	191 060	95 428
Printing & stationery	341 027	285 361
Rent: offices	74 518	43 382
Security services	852 881	743 576
Special projects	2 570 214	1 651 329
Youth projects	1 059 844	969 000
Sport and recreation	335 405	321 051
Subsistence & travelling	972 888	1 027 723
Subscriptions	18 500	141 086
Sundries	7 645	16 222
Ploughing cost	219 971	253 951
Telephones	692 221	657 153
Agricultural project	352 047	142 644
Transport/vehicle cost	2 044 515	2 028 911
Valuation expenses	342 806	42 405
Ward committees	53 014	20 433
Water	30 973	82 419
Kwalatha housing expenses	347 287	0
Msig expenses	215 862	1 214 372
Town establishment expenses	389 025	1 042
Idp expenses	1 335	0
Fmg expenses	405 761	180 507
Rural elec plan	1 627 339	2 104 727
E-learning project expenses	15 053	1 560
Map expenses	247 531	287 103
Small town rehab	8 996 280	141 265

MSINGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	<u>2011</u>	<u>2010</u>
Disaster fund housing	976 170	2 542 358
T/ferry street lighting	1 970 947	0
Pomeroy street paving	1 149 064	0
Contribution leave provision	75 228	26 859
	<u>32 211 542</u>	<u>20 325 876</u>
 19 Contracted Services		
Management services	1 640 877	780 138
Professional fees	87 888	38 897
	<u>1 728 765</u>	<u>819 035</u>
 20 Cash Generated by Operations		
Surplus (deficit) for the year	21 803 027	11 916 300
Adjustment for :		
Prior year		
Depreciation	6 267 910	4 847 897
Gain on disposal of property, plant and equipment		
Contributions to provisions- non-current		
Contributions to provisions – current		
Contributions to bad debt provision	454 056	450 838
Investment income	(3 747 680)	(4 143 727)
Interest paid		
Operating surplus before working capital changes	24 777 313	13 071 308
(increase) decrease in consumer debtors	(451 034)	(446 988)
(increase) decrease in other debtors	349 064	
Increase (decrease) in conditional grants and receipts	(12696899)	9 694 980
Increase (decrease) in creditors	22569299	633 598
(Increase) decrease in current portion of long term debtors		(382 331)
Increase (decrease) in VAT	(1 142 307)	(1 811 296)
Increase (decrease) in provisions		
	<u>13 093 066</u>	<u>20 759 271</u>
 21 Cash and Cash Equivalents		
Cash and cash equivalents included in the cash flow statement comprise the following amounts:		
Bank balances and cash	2 659 431	9 122 418
Call deposits	60 928 771	57 493 473
	<u>63 588 202</u>	<u>66 615 891</u>
 22 Additional Disclosures in Terms of Municipal Finance Management Act		
22.1 Contributions to organised local government		
Opening balance		
Council contributions		126 625
Amount paid - current year		126 625
Amount paid - previous years		
Balance unpaid (included in creditors)	<u>0</u>	<u>0</u>

MSINGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	<u>2011</u>	<u>2010</u>
22.2 Audit fees		
Opening balance		
Current year audit fee	635 075	514 395
Amount paid current year	635 075	514 395
Amount paid - previous years		
Balance unpaid (included in creditors)	<u>0</u>	<u>0</u>

22.3 VAT		
Opening balance	3 218 881	1 407 585
Current year output VAT	(57 543)	(22 887)
Current year input VAT	4 418 731	6 313 425
Amount paid - current year	(3 218 881)	(4 479 242)
Amount due by SARS - V A T		
Audit	0	
Amount due by SARS - included in debtors	<u>4 361 188</u>	<u>3 218 881</u>

All VAT returns have been submitted by the due date.

22.4 PAYE, UIF and Skills levy		
Opening balance		
Current year payroll deductions and Council UIF/Skills contributions	2 017 530	1 719 585
Amount paid - current year	2 017 530	1 719 585
Amount paid - previous years		
Balance unpaid (included in creditors)	<u>0</u>	<u>0</u>

22.5 Pension; UIF and medical aid deductions		
Opening balance		
Current year payroll deductions and Council contributions	2017530	1 350 216
Amount paid - current year	2017530	1 350 216
Amount paid - previous years		
Balance unpaid (included in creditors)	<u>0</u>	<u>0</u>

22.6 Councillors arrear consumer accounts
The following Councillors had arrear accounts outstanding for more than 90 days as at :

		Outstandi ng less than 90 days	Outstanding more than 90 days
30 June 2010	Total		
30 June 2011	Total	Outstandi ng less than 90 days	Outstanding more than 90 days

MSINGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	<u>2011</u>	<u>2010</u>
23 Capital Commitments		
Commitments in respect of capital expenditure:		
- approved and contracted for		
Infrastructure		
Community		
Heritage		
Other		
Housing Development Fund		
Investment properties		
- approved but not yet contracted for		
Infrastructure - MIG Roads	21 981 000	18 277 000
Community		
Heritage		
Other	4 600 000	2 800 000
Housing Development Fund		
Investment properties		
This expenditure will be financed from		
- capital replacement reserve		
- government grants	21 981 000	18 277 000
- own resources	4 600 000	2 800 000
-		

- 24 Retirement Benefit Information
- Certain Councillors and Certain employees belong to defined benefit retirement funds administered by the Natal Joint Municipal Pension Fund. These funds are subject to a triennial actuarial valuation. The last valuation was performed in 2005

24.1 Superannuation Fund

The actuarial value of total assets was R219,5 million less than the actuarial value of the liabilities for service of members to that date and for pensioners, made up as follows

24.1.1. surplus of R5,2 million in respect of pensioners (funding level 100,5%)

24.1.2. deficit of 224,7 million in respect of members (funding level 85,5%)

24.1.3. the fund was thus 91,6% funded

24.1.4. the fund did not hold an investment reserve.

24.1.5. the total contribution rate payable, including the surcharge by and on behalf of members, exceeded that required for future service by 1,0% of member's pensionable emoluments, or about R6,5 million a year

24.1.6. An additional contribution by way of a surcharge amounting to 6% of salaries with effect from 1 July 2006 will be imposed on the municipality.

MSINGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

24.2 Retirement Fund

The actuarial value of total assets was R190,0 million less than the actuarial value of the liabilities for service of members to that date and for pensioners, made up as follows

24.2.1. surplus of R12,9 million in respect of pensioners (funding level 104,1%)

24.2.2. deficit of R202,9 million in respect of members (funding level 69,0%)

24.2.3. the fund was thus 80,5% funded

24.2.4. the fund did not hold an investment reserve

24.2.5. the total contribution rate payable (including the surcharge of 12% payable jointly by pre-1 July 2002 members and by employers on their behalf) exceeded that required for future service by 12,09% of members pensionable emoluments.

24.2.6. An additional contribution by way of a surcharge will be increased from a total of 12% to a total of 14% of salaries with effect from 1 July 2006 for a period of four years (the additional contributions apply only in respect of members who joined the Fund prior to 1 July 2002) as the excess contributions currently being paid are insufficient to restore the fund to a fully-funded position by 2010.

25 Contingent Liabilities

In accordance with an agreement reached in the SALGBC council must make provision for pensioners medical contribution.

The liability in this regard cannot be calculated at this stage.

26 Unauthorised Expenditure

Due to an adjustment budget not done certain departments incurred over expenditure totalling R 2 936 905. The total expenditure however does not exceed the approved budget.

27 Irregular Expenditure

Irregular expenditure of R 1,161,998 in the current financial year and R8,795,000 in the prior year was incurred as a result of contravention of the Municipality's procurement policy.

This expenditure was for road maintenance and is included in the maintenance as per statement of financial performance.

Irregular expenditure of R 3200 606 was incurred as a result of the procurement policy that does not make provision for 80/20 preference as required by SCM Framework for procurement between R30 000 and R100 000. This expenditure is included in the statement of financial performance and was budgeted for.

MSINGA LOCAL MUNICIPALITY
FINANCIAL STATEMENTS
for the year ended 30 June 2011

APPENDIX A
MSINGA MUNICIPALITY : SCHEDULE OF EXTERNAL LOANS AT 30 JUNE 2011

EXTERNAL LOANS	Loan Number	Redeemable	Balance at 2010/06/30	Received during the year	Redeemed or written off during the year	Balance at 2011/06/30	Carrying value of property plant & equip.
			R	R	R	R	R
TOTAL			0	0	0	0	

**MSINGA LOCAL MUNICIPALITY
FINANCIAL STATEMENTS
for the year ended 30 June 2011**

APPENDIX B

MSINGA MUNICIPALITY : ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2011

	Opening Balance	Additions	Cost/ Revaluation Under Construction	Disposals	Closing Balance	Opening Balance	Accumulated Depreciation Additions	Disposals	Closing Balance	Carrying Value	Budget Additions 2011
Land and Buildings											
Land											
Buildings	16 805 000	172 727			16 977 727	2 027 826	582 927		2 610 753	14 366 974	
	16 805 000	172 727	0	0	16 977 727	2 027 826	582 927	0	2 610 753	14 366 974	0
Infrastructure											
Stormwater drainage											
Roads	43 548 745	18 083 448			61 632 193	8 625 051	4 488 697		13 113 748	48 518 445	
	43 548 745	18 083 448	0	0	61 632 193	8 625 051	4 488 697	0	13 113 748	48 518 445	0
Community Assets											
Sports facilities	1 118 906				1 118 906	125 336	17 560		142 896	976 010	
	1 118 906	0	0	0	1 118 906	125 336	17 560	0	142 896	976 010	
Other Assets											
Refuse disposal site	1 531 890				1 531 890	1 531 890			1 531 890	0	
Taxi rank	948 004				948 004	948 004			948 004	0	
Fencing	584 030				584 030	584 029			584 029	1	
Air conditioners	134 252				134 252	134 252			134 252	0	
Office and computer equipment	2 274 247	113 404			2 387 651	1 749 905	158 736		1 908 641	479 010	
Furniture and fittings	920 406	77 749			998 155	443 633	91 704		535 337	462 818	
Machinery and equipment	167 230				167 230	164 821	2 409		167 230	0	
Cellphones & radios	2 151				2 151	2 151			2 151	0	
Motor vehicles	7 577 112	1 421 107			8 998 219	4 097 576	925 877		5 023 453	3 974 766	
	14 139 322	1 612 260	0	0	15 751 582	9 656 261	1 178 726	0	10 834 987	4 916 595	0
Total	75 611 973	19 868 435	0	0	95 480 408	20 434 474	6 267 910	0	26 702 384	68 778 024	0

MSINGA LOCAL MUNICIPALITY
FINANCIAL STATEMENTS
for the year ended 30 June 2011

APPENDIX C

MSINGA MUNICIPALITY : SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2011

	Opening Balance	Additions	Cost/ Revaluation Under Construction	Disposals	Closing Balance	Opening Balance	Accumulated Depreciation Additions	Disposals	Closing Balance	Carrying Value
Executive and Council	3 373 729	627 759			4 001 488	2 091 723	328 190		2 419 913	1 581 575
Finance and Admin	17 074 878	172 728			17 247 606	2 792 010	625 166		3 417 176	13 830 430
Planning and Development						0			0	
Health						0			0	
Community & Social Services	3 141 331				3 141 331	1 218 522	152 142		1 370 664	1 770 667
Housing						0			0	
Public Safety	25 720				25 720	11 415	1 602		13 017	12 703
Sport and Recreation						0			0	
Environmental Protection						0			0	
Waste Management	2 320 185				2 320 185	2 219 124	101 060		2 320 184	1
Road Transport	49 637 947	19 067 948			68 705 895	12 071 843	5 056 969		17 128 812	51 577 083
Other	38 183				38 183	29 837	2 781		32 618	5 565
	0				0					
	75 611 973	19 868 435	0	-	95 480 408	20 434 474	6 267 910	-	26 702 384	68 778 024

MSINGA LOCAL MUNICIPALITY
FINANCIAL STATEMENTS
for the year ended 30 June 2011

APPENDIX D

MSINGA MUNICIPALITY : SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2011

2010	2010	2010		2011	2011	2011
Actual Income R	Actual Expenditure R	Surplus/ (Deficit) R		Actual Income R	Actual Expenditure R	Surplus/ (Deficit) R
66 989 910	27 418 487	39 571 423	Executive and Council	89 536 943	39 923 139	49 613 804
50 273	5 405 409	(5 355 136)	Finance and Admin	251 092	8 739 361	(8 488 269)
	3 071 134	(3 071 134)	Planning and Development		4 089 062	(4 089 062)
	193 728	(193 728)	Health		276 935	(276 935)
129 135	2 055 931	(1 926 796)	Community & Social Services	96 988	2 202 178	(2 105 190)
		0	Housing			0
	1 582 171	(1 582 171)	Public Safety		1 320 131	(1 320 131)
		0	Sport and Recreation			0
		0	Environmental Protection			0
20 940	445 325	(424 385)	Waste Management	20 940	534 153	(513 213)
	14 834 656	(14 834 656)	Road Transport		11 005 131	(11 005 131)
		0	Water			0
		0	Electricity			0
	267 117	(267 117)	Other		12 846	(12 846)
		0				0
67 190 258	55 273 958	11 916 300	Sub – total	89 905 963	68 102 936	21 803 027
			Less : Inter departmental charges			
67 190 258	55 273 958	11 916 300		89 905 963	68 102 936	21 803 027

MSINGA LOCAL MUNICIPALITY
FINANCIAL STATEMENTS
for the year ended 30 June 2011

APPENDIX E (1)

MSINGA MUNICIPALITY : ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2011

REVENUE	2011 Actual R	2011 Budget R	2011 Variance R	2011 Variance %
Property rates	441 045	80 000	361 045	82%
Property rates - penalties imposed and collection charges			0	
Service charges	20 940	17 010	3 930	19%
Rental of facilities and equipment	277 097	32 000	245 097	88%
Interest earned - external investments	3 747 680	4 350 000	(602 320)	-16%
Interest earned - outstanding debtors			0	
Fines			0	
Licences and permits			0	
Income for agency services			0	
Government grants and subsidies	85 264 274	67 595 000	16 083 860	19%
Other income	154 927	82 500	72 427	
Total Revenue	89 905 963	72 156 510	16 164 039	
EXPENDITURE				
Employee related costs	10 236 348	10 911 665	(675 317)	-7%
Remuneration of Councillors	6 467 130	6 491 415	(24 285)	0%
Bad debts	454 056	450 000	4 056	1%
Collection costs			0	
Depreciation	6 267 910	5 038 000	1 229 910	20%
Repairs and maintenance	4 295 595	5 168 000	(872 405)	-20%
Interest paid			0	
Bulk purchases			0	
Contracted services	1 728 765	1 285 000	443 765	26%
Grants and subsidies paid	4 856 172	5 397 434	(541 262)	-11%
General expenses	33 796 960	17 398 800	14 812 746	46%
Total Expenditure	68 102 936	52 140 314	14 377 208	
Surplus (Deficit) for the year	21 803 027	20 016 196	(885 832)	-8%

MSINGA LOCAL MUNICIPALITY
FINANCIAL STATEMENTS
for the year ended 30 June 2011

APPENDIX E (2)

MSINGA MUNICIPALITY : ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2011

	2011 Actual	2011 Under Construction	2011 Total Additions	2011 Budget	2011 Variance	2011 Variance	Explanation of significant variances
	R	R	R	R	R	%	
Land and Buildings							
Land							
Buildings	172 727		172 727	0	172 727	100	
	172 727		172 727	0	172 727		
Infrastructure							
Storm water drainage							
Roads	18 083 449		18 083 449	19 277 000	-1 193 551	(6)	
Electricity reticulation			0		0		
	18 083 449	0	18 083 449	19 277 000	-1 193 551		
Other Assets							
Refuse transfer station							
Office equipment	118 665		118 665	100 000	18 665	19	
Furniture and fittings	77 749		77 749	300 000	-222 251	(74)	
Bins and containers			0		0		
Motor vehicles	1 421 106		1 421 106	1 500 000	-78 894	(5)	
Computer equipment			0		0		
	1 617 520		1 617 520	1 900 000	-282 480		
Total	19 873 696	0	19 873 696	21 177 000	-1 303 304	(6)	

MSINGA LOCAL MUNICIPALITY
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DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA , ACT 56 OF 2003

Description	Name of organ of State	Unspent balance at 1 July 2010 R	Received 2010/2011 R	Expenditure 2010/2011 R	Transfer 2010/2011 R	Unspent balance at 30 June 2011 R	Grants delayed/ withheld R	Reason for delaying/ withholding funds	Compliance with grant conditions YES/NO	Reason for non-compliance
Grants – general	Unspecified	322 179				322 179			YES	
Grant – construction of shelters	District Council	1 530 205		976 171		554 034			YES	
Int Dev I – Structure Grant	Prov Government	1 250 000		1 149 064		100 936			YES	
MIG-Roads		6 898 994	12 410 000	16 835 653		2 473 341			YES	
Transition grant		2 394 757		109 260	232 967	2 518 464			YES	
Tourism grant		936 217		38 547		897 670			YES	
Municipal assistance programme		0				0			YES	
Municipal support grant		2 360 623		321 719		2 038 904			YES	
Grants – general		3 300 000			150 000	3 450 000			YES	
Grant -Integrated development plan		239 050				239 050			YES	
Spatial dev Framework		100 000				100 000			YES	
Finance Management grant		0	1 200 000	1 199 000		1 000			YES	
Implementation of M F M Act		145 000				145 000			YES	
Equitable share		0				0			YES	
Inter departmental monitoring grant		100 000				100 000			YES	
Grant – LUMS		237 223				237 223			YES	
Grant - Project Consolidate		2 236 373			(389 026)	1 847 347			YES	
Grant - community development workers		128 892			^A (2)	128 890			YES	
MSIG grant		0	750 000	750 000		0			YES	
Housing grant - Pomeroy project		108 677				108 677			YES	
Grant - LED capacity building		125 000	300 000			425 000			YES	
Lottery- Pomeroy sport field		(0)				0			YES	
Internal control & Audit committee		150 000				150 000			YES	
Housing grant - Kwalatha project		(72 441)	395 908	347 287		(23 820)			YES	

MSINGA LOCAL MUNICIPALITY
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Description	Name of organ of State	Unspent balance at 1 July 2010	Received 2010/2011	Expenditure 2010/2011	Transfer 2010/2011	Unspent balance at 30 June 2011	Grants delayed/ withheld	Reason for delaying/ withholding funds	Compliance with grant conditions	Reason for non-compliance
Elangeni Sportsfield			1 575 000	1 138 536		436 464			YES	
Resol phase 1		145 000				145 000			YES	
Info Investment programme		200 000				200 000			YES	
E – Learning		224 098		15 053		209 045			YES	
Small town rehab		12 534 735		12 433 707		101 028			YES	
Electrification programme		3 628 563	9 205 001	3 212 753		9 620 811			YES	
		<u>39 223 145</u>	<u>24 697 373</u>	<u>37 388 214</u>	<u>(6 059)</u>	<u>26 526 243</u>				